BIPARTISAN SENATE STUDENT LOAN BILL VS. CURRENT LAW

On July 1 interest rates doubled from 3.4 percent to 6.8 percent due to Republican obstruction. The bipartisan Senate student loan agreement helps students and families afford a college education compared to current law. Here's how the Senate agreement is better than current law:

As Opposed to Current Law, the Bipartisan Senate Bill Allows Rates on Every Single New College Loan to Come Down this Year for Nearly 11 Million Borrowers.

This year, an undergraduate with an average loan will save nearly $1,500 in interest over the life of that loan. Undergraduates will borrow at 3.86 percent, a cut from 6.8 percent. Graduate students will borrow at 5.4 percent, a cut from 6.8 percent. Parents and graduate students borrowing PLUS loans will borrow at 6.4 percent, a cut from 7.9 percent.

Compared to Current Law, the Bipartisan Senate Bill Provides Students $25 Billion in Student Debt Relief from 2013 to 2018.

Over the 2013-2018 periods it is estimated that undergraduate students will save $25 billion compared to the current law 6.8 percent interest rates, according to the Congressional Budget Office. Over the next 10 years, the bipartisan Senate bill saves students some $4 billion over current law.

Compared to Current Law, the Bipartisan Senate Bill Provides a Better Opportunity for Families Battered by the Great Recession to Benefit from Today's Low Interest Rates.

The Senate bipartisan bill allows students and families most affected by the Great Recession to lock in today's low interest payments, providing a lower financial burden as they are struggling to recover from the economic downturn. According to the Congressional Research Service, freshman entering college this fall who borrow the maximum loan amounts will save thousands of dollars in reduced interest costs under the Senate bill compared to current law.

Compared to Current Law, the Bipartisan Senate Bill Allows Students and Families to Fully Benefit from Lower Interest Rates While Shielding Them Against Very High Interest Rate Environments.

The Senate bill has a variable rate that adjusts yearly for new borrowers, but is fixed for the life of the loan once borrowed. The Senate bill also includes a cap on the interest rate the federal government can charge a student. One of the reasons interest rates on student loans remained high during the recession while other loan products became dramatically more affordable was because the statutory fixed interest rate was not tied to economic conditions. The Senate bill allows interest rates to fluctuate based on economic conditions, so borrowers fully benefit from low interest rates while providing a statutory cap of 8.25 percent for undergraduates as protection against very high interest rates.